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SUBJECT: LABOR UNIONS LOBBY FOR EMERGENCY INCREASE IN THE
MINIMUM WAGE

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¶1. SUMMARY: On December 20, 2006, Mexico's National Commission on Minimum Wages (CNSM), an agency within the GOM's Labor Secretariat, announced a wage increase of 3.9 percent for 2007. This wage increase was hailed by Mexico's private sector but only reluctantly accepted by the country's organized labor movement which had sought an increase of between 6-10 percent. Recent sharp increases in the cost of staple food items prompted Mexico's organized labor movement to lobby for an emergency increase in the minimum wage. Thus far the Mexican government has avoided specifically responding to labor's request for an emergency wage increase, but two of the country's three largest political parties have more or less endorsed the idea. Mexico's private sector expressed sympathy for workers dealing with the consequences of the cost increases in staple foods but also cautioned against the negative inflationary upshot at this time of raising salaries beyond the 3.9 percent announced by the CNSM. Observers seeking a middle ground have floated the idea of a wage increase tied to increases in productivity. END SUMMARY.

The GOM Sets the Minimum Wage for 2007

¶2. On December 20, 2006, Mexico's Comision Nacional de Salarios Minimios) CNSM (National Commission on Minimum Wages) announced an agreement on setting the country's 2007 minimum wage (REF A). Effective January 1, 2007, Mexico's national minimum wage increased 3.9 percent. The agreement on the minimum wage increase was negotiated by the CNSM which is an agency under the auspices of the GOM's Labor Secretariat. The Commission is composed of representatives

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from the GOM, the private sector and organized labor unions.

¶3. The negotiated agreement was immediately hailed by Mexico's private sector as an action that would bolster confidence in the markets and hold the line against inflation. Organized labor representatives called the 2007 negotiated wage  ridiculous  but reluctantly agreed to accept it as a vote of confidence in President Calderon's new government. Now however, within weeks of the implementation of the new minimum wage, sharply unexpected raises in the prices of several basic food items have prompted Mexico's organized labor movement to agitate for an emergency increase in the minimum wage over and above the

3.9 percent increase announced by the CNSM.

Mega-march To Protest Price Increase and Demand Higher Salaries

¶4. The most visible sign to date of organized labor,s unhappiness over the increases in staple food items was their participation in a large protest march that took place on January 31 (REF B). The march participants were ultimately petitioning the government for redress to a long list of concerns but the main items motivating the protesters were increases in basic food items and a demand for a an emergency salary increase. In response to the protest Mexican President Felipe Calderon issued a press statement saying he shared the protesters concerns and would do all he could to improve living standards, lower poverty and create jobs. He did not, however, give any indication on what his administration,s position was on the question of an emergency wage increase.

----- Emergency Wage Increase Sought Almost From Day One -----

¶5. The January 31 protest march was neither the first nor the only action organized labor has taken to underscore it demands for an emergency increase in the minimum wage. Prominent labor leaders began to speak only?? and aggressively about the need for an emergency salary increase as early as January 15, in other words, less than three weeks after the new minimum wage announced by the CNSM was formally implemented. The Mexican Workers Confederation (CTM), perhaps the largest confederation of labor unions in Mexico, was one of the first labor organizations to speak out in

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favor of an emergency wage increase. CTM Secretary General, Joaquin Gamboa Pascoe, devoted the majority of his first press conference of the year to underscoring the need for an emergency salary increase. Gamboa Pascoe blamed the failure of the GOM,s labor and agricultural policies for the rise in the prices of staple food and the inability of workers to make ends meet with currently low wages. During his press conference Gamboa Pascoe also announced that the CTM had advised all of it affiliated unions to seek to negotiate a higher wage settlement than the 3.9 minimum increase authorized by the CNSM

¶6. At roughly the same time that the CTM announced its intention to seek an emergency increase in the minimum wage other unions began to do likewise. Two labor associations in particular, the National Union of Workers (UNT) and the Federation of (Federal) Civil Service Unions (FSTSE), effectively joined the CTM in publicly stating their desire for an emergency wage increase. For the most part, like the CTM, the FSTSE indicated that it was urging its member unions to seek an emergency wage increase through the process of negotiation. The UNT, however, made clear that while it was prepared to negotiate an emergency wage increase with the private sector it was preparing for more aggressive ways to press its demands such as protest marches (like the one it took the lead in organizing on January 31) and ultimately strikes. The National Union of Workers believes the emergency wage increase should raise salaries approximately 10 percent across the board.

Opposition Parties Support Demands for Emergency Wage Increase

¶7. Two of Mexico,s three largest political parties, both of which are in opposition to President Calderon,s ruling National Action Party (PAN), have come out in favor of an

emergency wage increase. The positions taken by these two parties, the Party of the Democratic Revolution (PRD) and the Institutional Revolutionary Party (PRI), respectively the second and third largest parties in the national legislature, on the question of an emergency wage increase are very much consistent with their current overall political leanings.

¶8. The PRD, the self-declared party of the left, believes that the government should immediately raise wages in order to help Mexican workers recover the purchasing power they lost during the previous six years under a PAN government. A PRD spokesperson claimed that over the past six years the minimum wage last 19 percent of its purchasing power. In addition Ricardo Monreal, a prominent PRD Senator asserted, that nearly 16 million Mexicans live on less than 3,000.00 pesos a month (approximately USD 278.00) which means they earn just under three times the minimum wage. These figures, the senator declared, showed that the GOM and the private sector were not being honest in their assertions that no one in Mexico really worked for the minimum wage and therefore drastic actions to raise that wage were unjustified.

¶9. For its part the PRI, which is currently positioning itself as more of a center-left party, is more open to negotiation with both the government and the private sector. The PRI's initial public statements on the question of an emergency wage increase were ones of staunch solidarity with demands made by Mexico's organized labor movement. However, when asked to elaborate, Emilio Gamboa Patron, the PRI leader of Mexico's Chamber of Deputies (roughly equivalent to the US House Minority Leader) stated that his party would stand with the workers if national inflation figures for January justified extraordinary remedial actions to compensate for recent rise in the price of staple food items. (Note: The inflation rate fell from 4.0 percent in the 12 months through January, down from 4.1 percent at the end of December) matching economist estimates. Core inflation, which includes tortillas but excludes fresh food and energy, accelerated to 3.9 percent in January from 3.6 percent the previous month.) Post notes that neither Gamboa Patron nor any PRI spokesperson have yet to comment on the January inflation figures.

UNAM Claims Productivity Justifies Emergency Wage Increase

¶10. Many interested observers have focus on a report

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recently issued by UNAM (Mexico's National University) as a possible middle road between the positions taken by Mexico's organized labor movement and its private sector. According to Huberto Juarez Nunez, an economist and labor specialist at the UNAM, the high productivity of workers at the majority of Mexican businesses is more than enough to facilitate an emergency wage increase without creating destabilizing inflationary pressures. In making this claim Juarez Nunez indicated he was comparing the hourly costs in US dollars of workers in Mexico when measured against those same hourly costs of laborers in more developed countries. Using that standard, the labor specialist asserted, workers salaries in Mexico account for only around 3-5 percent of the total cost of production.

¶11. By most indications many participants in the debate over an emergency wage increase seem aware of the UNAM report about productivity justifying higher salaries. It is not clear, however, to what degree the unions, political parties, private sector or Mexican government accepts the conclusions of the report.

Comment

¶11. The question of an emergency increase in the minimum is currently bubbling beneath the surface of many labor related conversations in Mexico. The January 31 march protesting increases in the prices of staple foods and demanding compensatory wage increases was, thus far, the most public manifestation of this ongoing national conversation. At this point none of the participants in the debate over an emergency wage increase seem to be in agreement on any of the elements (i.e. the real impact of more expensive staple foods, the need for an emergency wage increase, the methods to be used in pressing for a wage increase, or the ability of productivity gains to negate the possible inflationary affects of an emergency wage increase) that will determine whether an emergency wage increase is ultimately authorized. Given this disagreement, the debate over an emergency wage increase is likely to go on for some time.

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